

Message Text

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ACTION EB-07

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E.O. 11652: N/A

TAGS: EAIR, TH, UK

SUBJ: CIVAIR: UK-RTG TALKS

1. ACCORDING DR. SISUK OF MINISTRY OF COMMUNICATIONS, MAIN ISSUE IN RECENT LONDON TALKS WAS UK DEMAND THAT RTG COMPEL AIR SIAM TO ABIDE BY JOINTLY APPROVED FARES ON BANGKOK-HONG KONG SERVICES COMPETITIVE WITH CATHAY PACIFIC AND BRITISH AIRWAYS. TO FORCE RTG'S HAND, SISUK SAID, UKDEL ISSUED ULTIMATUM THAT TOTAL THAI INTER-AIR SIAM CAPACITY THROUGH HONG KONG MUST BE REDUCED BY ABOUT 50PERCENT PRIOR TO JULY 31. FAILING COMPLIANCE, UKDEL SAID HONG KONG AUTHORITIES WILL TAKE SUCH ACTION UNILATERALLY. SISUK SAID UK AUTHORITIES WERE CAREFUL TO TALK IN TERMS OF CAPACITY, BUT IT WAS APPARENT THAT UK WISHES TO CUT BACK ON FREQUENCIES BY RTG CARRIERS THROUGH HONG KONG.

2. COMMENT: BRITISH WERE IN STRONG POSITION IN MAKING FOREGOING DEMANDS, SINCE COMBINED CATHAY PACIFIC-BRITISH AIRWAYS CAPACITY, AND TOTAL FREQUENCIES, THROUGH BANGKOK AMOUNT TO LESS THAN ONE-HALF COMBINED THAI INTER-AIR SIAM CAPACITY AND FREQUENCIES (68 WEEKLY) THROUGH HONG KONG.

3. SISUK SAID MINISTRY PROBABLY WILL NOTIFY ALL AIRLINES OPERATING ON BANGKOK-HONG KONG SECTOR THAT FARES MAY NOT

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BE DISCOUNTED BELOW THOSE JOINTLY ADOPTED BY THAI INTER

AND CATHAY PACIFIC (WHICH ALSO HAVE TRAFFIC POOLING ARRANGEMENT ON THIS SECTOR). SISUK SAID THAT FARE STABILIZATION MEASURE, IF ADOPTED, WOULD BE STRICTLY ENFORCED, IN HOPE THAT UK WOULD THEN TRADE OFF STATUS QUO ANTE ON CAPACITY FOR POLICING BY RTG OF AIR SIAM'S DISCOUNTING PRACTICES.

4. COMMENT: EMBOFF CHOSE NOT RPT NOT TO RAISE ISSUE OF DISCOUNTING BY AIR SIAM ON BANGKOK-US ROUTES IN TALK WITH SISUK, SINCE THERE SEEMED NOTHING TO BE GAINED AT THIS TIME. HOWEVER, IF AND WHEN RTG ISSUES PROPOSED ORDER ON BANGKOK-HONG KONG FARES, AND, HOPEFULLY, SETS UP MACHINERY TO POLICE DISCOUNTING PRACTICES, WE (AND IATA) WILL BE IN EXCELLENT POSITION TO INSIST THAT RTG TAKE SIMILAR MEASURES IN REGARD AIR SIAM'S TRAFFIC ON ROUTES TO US. IF, HOWEVER, BRITISH INSIST ON REDUCING LEVEL OF SERVICES BY RTG CARRIERS THROUGH HONG KONG, WE ANTICIPATE ADDED PRESSURES WILL BUILD UP HERE TO SECURE ADDITIONAL US RIGHTS FOR THAI CARRIERS.
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